

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6449**

**BILL NUMBER: SB 111**

**NOTE PREPARED:** Dec 11, 2006

**BILL AMENDED:**

**SUBJECT:** Political Expenditures.

**FIRST AUTHOR:** Sen. Landske

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Political Action Committees-* The bill provides that a group of individuals, all of whom are related by blood, marriage, or adoption, is not considered a political action committee.

*Advocacy Expenditures-* The bill requires an individual or organization that makes an expenditure of at least \$10,000 for the purpose of financing communications that expressly advocate the election or defeat of a clearly identified candidate to file, not later than 48 hours after the expenditure, a report that provides details concerning the expenditure.

*Reporting Exemptions-* The bill exempts from the reporting requirement: (1) candidate's committees; (2) regular party committees; (3) political action committees; (4) a legislative caucus committee; (5) an auxiliary party organization; (6) a membership organization that is exempt from federal income taxation under Section 501(c) of the Internal Revenue Code, to the extent that the organization's communications are made solely to the organization's members; and (7) an individual who makes an expenditure using only the individual's own resources.

*Penalties-* The bill establishes criminal and civil penalties for violation of the reporting requirement.

**Effective Date:** January 1, 2008.

**Explanation of State Expenditures:** *Advocacy Expenditures:* Individuals or organizations that make an expenditure or aggregate expenditures totaling at least \$10,000 for advocacy of either the election or defeat of a candidate for state or legislative office would be required to file an expenditure report with the Election Division. The bill would require an advocacy expenditure form to be filed within 48 hours after the

expenditure was made.

The Election Division may have to produce a new report for advocacy expenditures. The Division would likely see an increase in administrative time to file additional reports. The Division's existing resources should be sufficient to develop the forms necessary to comply with the bill.

*Background:* The Election Division had printing costs of about \$23,116 in FY 2006. The Indiana Election Commission, under which the Election Division operates, reverted \$55,072 to the General Fund at the end of FY 2006.

*Criminal Penalties:* Under current election law, a person that has knowingly filed a fraudulent campaign report commits a Class D felony. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

No person convicted of an election crime was remanded to a DOC facility through June of 2006.

**Explanation of State Revenues:** *Criminal Penalties:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. In addition, under current law a person that fails to file a campaign report commits a Class B misdemeanor. Therefore failure to file an advocacy expenditure report would constitute a Class B misdemeanor. The maximum fine for a Class B misdemeanor is \$1,000. However, any additional revenues would likely be small.

*Civil Penalties:* Civil penalties would apply for failure to file an advocacy expenditure report under the bill. The penalty for a late report is \$50 per day, not to exceed \$1,000 plus any investigative cost to the Election Division. Election law civil penalties for state and federal offices are placed in the state Campaign Finance Enforcement Account (CFEA). The CFEA is used for the enforcement of campaign laws and creating and operating a campaign finance computer system, including the investment in technology to expand the capabilities of the computer system. The CFEA received \$31,784 in revenue in FY 2006.

**Explanation of Local Expenditures:** *Criminal Penalties:* If more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. A Class B misdemeanor is punishable by up to 180 days in jail. However, any additional expenditures would likely be small.

**Explanation of Local Revenues:** *Criminal Penalties:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

*Civil Penalties:* Civil penalties would apply for failure to file an advocacy expenditure report under the bill. The penalty is \$10 per day, not to exceed \$100 and any investigative cost to county election boards. Election law civil penalties for local offices are placed in local campaign finance enforcement accounts.

**State Agencies Affected:** Department of Correction.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Indiana State Budget Agency: *FY 2006 Close-Out General Fund Reversion Summary*; *State of Indiana Detail Staffing Report*, 10/03/2006; IC 3-14-1.

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